

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 TRSE-00 EB-07 SSO-00 NSCE-00 INRE-00

USIE-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 COME-00 /057 R

DRAFTED BY NEA/ARP:FMDICKMAN-NEA:SSOBER:SKG

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TREASURY:MR. BOWDEN (SUBS)

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S/S : JLHOGANSON

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 133550

E.O. 11652: GDS

TAGS: USSAEC, SA, US

SUBJECT: SAG REQUEST FOR USG UNDERTAKE RIYADH ELECTRIFICA-
TION

REF: JIDDA 4009

1. WE ARE CONSIDERING QUESTION INVOLVED IN PROPOSAL THAT
USG TAKE RESPONSIBILITY FOR PROJECT OF THIS TYPE (E.G.,USG
VS PRIVATE SECTOR RELATIONSHIP AND MEASURE OF ANY LEGAL
RESPONSIBILITY USG COULD ASSUME).
2. HOWEVER, WE NEED MORE TIME TO CONSIDER THESE MATTERS
AND FIRST REQUIREMENT IS FOR FULLER INFORMATION REGARDING
THE PROPOSAL SUCH AS YOU HAVE ALREADY ASKED OF ABA AL KHAIL.
3. IN ADDITION, WE WOULD WELCOME INFORMATION REGARDING THE
FOLLOWING POINTS:

A) ARAMCO WAS REQUESTED LAST YEAR BY YAMANI, IN THE NAME OF
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KING FAISAL,TO TAKE ON RESPONSIBILITY FOR ELECTRIC POWER

PRODUCTION OF EASTERN PROVINCE AS WELL AS RIYADH. IDEA WAS THAT WITH ARAMCO'S VAST INCREASE IN ELECTRIC POWER GENERATION FOR ITS OWN NEEDS, IT MADE EMINENT SENSE TO EXPAND THIS GENERATION CAPACITY TO TIE IT IN WITH GRID NOW IN HANDS OF DEPCO AND TO EXTEND GRID TO RIYADH. WE UNDERSTAND PRESENTATION WAS MADE BY ARAMCO TO PRINCE FAHD IN

DECEMBER BUT WE DO NOT KNOW WHAT HAS HAPPENED SINCE THEN. WE WOULD LIKE TO KNOW WHETHER SAG IS PURSUING ITS DISCUSSIONS WITH ARAMCO AND WHETHER YAMANI IS STILL INTERESTED IN ARAMCO PURSUING THIS ASPECT OF ELECTRIFICATION PROGRAM.

B) WE UNDERSTAND ELECTRICAL PRODUCTION IS NOW IN HANDS OF PRIVATELY OWNED SAUDI NATIONAL ELECTRICAL COMPANY, AND THERE HAS IN PAST BEEN RUNNING BATTLE BETWEEN PRIVATE STOCKHOLDERS OF SNEC AND MINISTRY OF FINANCE OVER POWER PRODUCTION. WE HAVE HEARD THAT PRINCE MOHAMMED BIN FAISAL HAS RECENTLY GOTTEN INTO ACT AND THAT HE IS SEEKING TO PLAY MORE DIRECT ROLE IN POLICY-MAKING REGARDING ELECTRIC POWER PRODUCTION. FYI. OUR PAST EXPERIENCE WITH PRINCE MOHAMMED WITH JIDDA DESALTING PLANT HAS BEEN DIFFICULT AND WE MIGHT WELL BE WALKING INTO A HORNETS NEST. END FYI. WE WOULD THEREFORE LIKE TO KNOW WHAT ORGANIZATION SAG HAS IN MIND FOR ELECTRIC POWER PRODUCTION IN RIYADH AND WHAT WOULD BE DIVISION OF RESPONSIBILITIES BETWEEN SUCH AGENCY AND ANY USG AGENCY THAT MIGHT UNDERTAKE PROJECT.

C) ANOTHER, AND POSSIBLY TROUBLING ASPECT, WOULD BE HOW QUESTIONS RELATING TO THE APPLICATION OF ARAB BOYCOTT WOULD BE HANDLED. WOULD SAG BE PREPARED WAIVE APPLICATION OF BOYCOTT IN EVENT EQUIPMENT OR SERVICES NEEDED FROM U.S. COMPANY NOW ON BOYCOTT LIST?

D) ARP IS AWARE THAT BROWN BOVERI DEVELOPED AN ELECTRIFICATION PLAN FOR RIYADH IN 1958 WHICH WAS SUBSEQUENTLY UPDATED. WHILE WE RECOGNIZE THAT SITUATION HAS CHANGED DRAMATICALLY OVER RECENT YEARS, PLAN WAS BASIS FOR CONSULTATIVE WORK DONE BY U.S. FIRM JACKSON AND MORELAND IN 1960S AND PRESUMABLY THERE MUST BE WITH CPO OR MINISTRY OF CONFIDENTIAL

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FINANCE CONSIDERABLE BACKGROUND ON TECHNICAL PLANNING WORK PREVIOUSLY PERFORMED. IS THIS INFORMATION AVAILABLE?

4. WE ARE PUZZLED AS TO OVERNIGHT URGENCY OF ABA AL KHAIL'S APPROACH TO EMBASSY. CAN YOU CLARIFY THE URGENCY?

5. EMBASSY SHOULD INFORM ABA AL KHAIL THAT USG WOULD APPRECIATE FURTHER EARLY INFORMATION TO OBTAIN A BETTER

UNDERSTANDING OF NATURE AND IMPORT OF REQUEST, WHICH WE
ARE PREPARED TO STUDY CAREFULLY. KISSINGER

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